

NORTH SHORE RAILWAY.

A LETTER FROM

THE CONSULTING ENGINEER, TO THE SECRETARY,

ACCOMPAINED BY

SOME REASONS WHY

THE RAILWAY COMPANY HAS BEEN UNABLE TO
COMPLETE THE ROAD, UNDER EXISTING
ARRANGEMENTS.

NOVEMBER 12, 1873.

1-4004

NORTH SHORE RAILWAY.

OFFICE OF THE CONSULTING ENGINEER,
Quebec, Nov. 12, 1875.

MR. SECRETARY,

Inasmuch as you have, at the request of the Provincial Government, been ordered to call a Meeting of the Shareholders of the Company, "on Monday, the 22nd inst., at noon," to take into consideration the Resolution adopted by the Board of Directors on the 11th August last, in which, for the reasons therein stated, the Board declare that the company is "unable to construct the road under existing arrangements;" and also that "the company are therefore ready to allow the Government to deal with the question in any way they may, in the public interests think proper, making such arrangements with the Contractor as may be found necessary." I therefore beg to place in your hands, for submission to the Shareholders at the coming Meeting, the following paper which I have hastily prepared, in which some reasons are given, which, I regret to see, are not stated in the resolution of the Board, why so little progress has been made thus far in the construction of the Railway; and also why the Company has found itself "unable to construct the road *under existing arrangements*"

If the views of the case which I have presented, are at

all correct ; and sustained by the facts and figures which I have compiled from the documents on file in the offices of the Company, I shall be somewhat surprised if the Shareholders find that the only cause for the slow and unsatisfactory progress of the work under the existing Contract, is to be found, as stated in the Resolution, in "*the present position of the Money Market in Canada, and the strong though unfounded opposition manifested in certain quarters in England to the investment of Money in Canadian Railway Securities, preventing the sale of the bonds of this Railway Company,*" &c., &c , with all which, the Railway Company, as is very well known, has nothing whatever to do ; for the reason that the existing Contract leaves all these matters *entirely in the hands of the Contractor* ; and allows him a fair, if not a liberal margin, for the risks and losses which he may be called upon to sustain in the negotiation of these securities.

If I had been consulted by the Board, before it took final action upon the Resolution, I had it in my power to furnish the most indisputable evidence of its ability, "*to construct the road under the then existing arrangements,*" provided these arrangements were carried out, in good faith, by all parties. After the Resolution had been passed, however, I did everything in my power to facilitate the negotiations between the Government and the Contractor ; and to bring them together, upon a fair and equitable cash basis, at the earliest possible day, in order that at least a portion of the then existing working season might be made available in the prosecution of the work ; for which I had the most positive assurances from the leading members of the Government, as well as from the Contractor.

The terms and conditions of the Contract were fully understood and agreed upon by the parties, on Thursday, the 19th of August, 1875 ; but instead of promptly closing the Contract, paying up the arrearages for work already done, and ordering the Contractor to proceed vigorously in the execution of new work, as was well understood by all parties, would be done, the Government at once left the City.

The signing of the new Contract for the construction of this road, was thus deferred until the 24th of the following September. And every one supposed that the Government was then, at least, fully prepared to entire upon its *new departure*, by cutting the chords with which it had previously held the Contractor firmly bound. But Alas ! No such result was realized.

The President of the Railway Company urged repeatedly upon the Government, the importance of providing at least for the payment of the salaries of such of its employees as had been discharged from its service ; but he was answered by the Honorable Premier, that it was impossible. Upon being reminded that there was a large balance due by the Government to the Railway Company, under the former Contract, the Premier answered, that however this might be, no further payment would be made by the Government until the new Contract was ratified by Parliament.

It will be remembered that during all this time, the Government had, or could have had, the full control of the balance due the Company from the city of Quebec, which at that time, as is shown by the following statement, amounted to \$145,014 04 ; and also that the Government

itself was in arrears to the extent of \$66,533 89. Making an aggregate of \$211,547 93; which was justly due from the Government and City, for past expenditures upon the road.

Notwithstanding all this, however, I have no doubt that the Shareholders, at their coming meeting, will arrive at the same conclusions as the Directors have done, (although perhaps for different reasons,) with reference "*to the inability of the Railway Company to Construct the Road, under existing arrangements.*"

They will of course be informed by the Government, as the President has already been, that the new Contract provides for the payment of all the debts and liabilities of the Railway Company, *including the amounts paid into the Treasury by the Shareholders*; and also that it provides for the Construction of the Main Line of the North Shore Railway, and also the Piles Branch.

But they will probably *not be informed*, as to when, or by whom the debts and liabilities of the Company, including the amounts due to the Shareholders, will be paid; nor as to when the Railway is to be completed. Neither will the Shareholders, and the creditors of the Railway Company and the Contractor, probably be informed, that no further payments will be made by the Government, either to the Railway Company, or to the Contractor, until the work already done can be re-measured by a new staff of Engineers, which can only be done after the snow leaves the ground next season; and then the quantities computed at the new schedule rates attached to the Government Contract.

Nor will they be informed as to what additional security

or guarantee the Government has furnished or entered into, by virtue of which it will be at all likely to meet its engagements with more promptitude and alacrity, now that it has assumed the supreme control of the work, than it did while forming only one party to a compact which was solemnly pledged, both to each of the other parties, and to the public, to do and perform certain important and vital agreements, the due performance of which by all the parties, as is clearly shown in the accompanying paper, *would have secured, beyond the reach of any ordinary contingency, the early construction of the Road under the Original and Supplemental Contracts.*

The following condensed memorandum, deduced from the accompanying paper, will be found to contain the entire case in a *nut-shell*.

CONDENSED MEMORANDUM.

The Provisional Contract was signed by the Government, September 24, 1875.

Under arrangements which were then existing between the Provincial Government, the City of Quebec, the Railway Company, and the Contractor; the Government and the City were each bound in good faith to pay *one third* of the cash values of the Monthly Estimates.

The total amount of cash values due, as per Monthly Estimates, up to Sept. 1, 1875, was.....	\$864,042 13
One third payable by Govt. would be.....	\$288,014 04
Amount paid by Government was.....	\$221,480 15
Amount of Government deficiency.....	\$ 66,533 89

One third payable by the City would be.....	\$288,014 04
Amount paid by the City was.....	\$143,000 00
Amount of City deficiency.....	\$145,014 04

Total deficiency of Government and City.....	\$211,547 93
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The Monthly Estimate up to Sept. 1, 1875, was	\$836,844 70
Amount paid by the Govt. and City was.....	\$364,480 15
Amount furnished by the Contractor.....	\$502,364 55.

Which expenditure by the Contractor, *under the then existing arrangements*, should have drawn a like amount each from the Government and the City.

If this had been realized, the total expenditure up to Sept. 1, 1875, would have been, in round numbers \$1,500,000, Which would undoubtedly have secured the opening of the Road from Quebec to Three Rivers during the present year; and the completion of the entire Main-Line, in 1876.

By reducing the case to the form of a mathematical proposition, it would therefore seem to stand as follows :

If the Government of the Province, and the City of Quebec require two years to expend only \$364,480 in the construction of the North Shore Railway, *under existing arrangements*, and out of a total liability of \$2,248,634, (thereby causing an almost total suspension of the work,) what length of time will be required by the same parties under the *proposed arrangements*, to complete the construction of the entire road, at a cost of say \$4,000,000 over and above past expenditures ?

Answer: ABOUT TWENTY-TWO YEARS !!

In view of the facts above presented, it certainly appears, Mr. Secretary, that the Shareholders of the Company, at their coming meeting, will not require a very great length of time, to enable them to arrive at *very just conclusions*.

I have the honor to remain,

Mr. Secretary,

Your Obedient Servant,

SILAS SEYMOUR,
Consulting Engineer.

A. H. VERRET, Esq.,
Secretary of the North Shore
Railway Company,
Quebec.

NORTH SHORE RAILWAY.

SOME REASONS WHY

THE CONSTRUCTION OF THE NORTH SHORE RAILWAY
HAS MADE SO LITTLE PROGRESS UNDER THE ORIGINAL CONTRACT DATED APRIL 5TH 1872; AND THE
SUPPLEMENTAL CONTRACT DATED FEBRUARY 21ST
1874.

At the risk of appearing officious ; and of interfering with matters which may not be regarded as properly appertaining to my office as the Consulting Engineer of the North Shore Railway Company, I feel impelled, as a matter of duty to the Railway Company, which seems destined to pass, at an early day, into the history of the past ; as well as a duty to myself, after having spent the past five years in an earnest endeavor to bring the Enterprise up to its proper standard of importance before the Government and the country, to place upon record such facts as may appear, from my stand point, to have an important bearing, both upon the past history of the North Shore Railway, and upon the present condition of its affairs.

In doing this, at the present time, I shall endeavor to confine myself mainly to such facts and statements as will

not be likely to come before either the Shareholders, the Provincial Parliament, or the Public, from any other source ; which facts, in my own opinion at least, should be well understood and authenticated, before any intelligent action can be taken in the matter.

The main points to be considered are, the causes which have produced the present state of things ; and the parties upon whom the responsibility should rest, for the failure of the Company, thus far, to carry on the work successfully under the existing Contracts.

THE ORIGINAL CONTRACT OF 1872.

This contract provided for a nominal consideration of seven million dollars for the Construction and Equipment of the Railway ; one million of which was payable in Quebec city bonds ; and six millions in the bonds of the Railway Company, which were a first mortgage, or lien upon the Road and franchises of the Company ; and also upon the Company's land grant of two million acres.

The parties, who took this Contract, were known as the *Chicago Contracting Company* ; and they were fully pledged to invest at least one million dollars of their own means in the work, before endeavouring to place the Railway bonds upon the market ; instead of which, they started, almost immediately after signing the Contract, for Europe with the bonds ; and spent more than a year in endeavouring to place them upon the European money markets, without success.

One cause of this failure may be attributed to the constant opposition and misrepresentations of the Grand Trunk Railway interest. But the chief cause was undoubt-

edly the fact, that comparatively nothing have been done towards the construction of the Road.

The amount expended by these parties during the years 1872 and 1873, as represented by the Engineers' Estimates, was \$169,970.30, of which amount, only \$15,487.28 was for actual construction; and the balance, \$154,483 02, was for Engineering, Expenses of Railway Company, and Contingencies; none of which latter Expenditures, although they were all entirely legitimate and unavoidable, could be regarded by Capitalists as furnishing any tangible security for the Railway bonds.

Having thus lost two full working seasons, in the vain, and very foolish endeavor to sell the Railway bonds, in advance of any material expenditure upon the work, these parties determined to fall back upon their original plan; and to assess themselves to the extent of at least \$1,000,000, of working capital; or if necessary, a sufficient amount to open the road for business, between Quebec and Three Rivers, during the season of 1874.

If this had been done, there can be no doubt that the remainder of the main line would either have been fully completed during the present year, or so far advanced as to render its early completion under the Original Contract, a matter of certainty.

THE SUPPLEMENTAL CONTRACT OF 1874.

In December 1873, negotiations were opened between the Original Contractors and the Honorable Thomas McGreevy, a wealthy citizen of Quebec, for a sale of the Contract, which resulted in a transfer of the Original Contract to Mr. McGreevy, on the 12th January 1874.

Before this transfer of the Contract had either been made public, or submitted to the Board of Directors for its approval, the Provincial Parliament, by a somewhat remarkable coincidence, passed the "Quebec Railway Aid Act of 1874," which act was approved by the Lieutenant Governor on the 28th January, 1874.

By the terms of this act the Government withdrew 859,125 acres of the poorest portion of the Company's land grant ; and substituted in its place, a loan of Government debentures, or their proceeds, amounting to \$1,248,634 being at the rate of about \$1.45 per acre for the lands.

The Board of Directors was first notified of the transfer of the Contract to Hon. Thomas McGreevy, at its monthly meeting, held on the 12th of February 1874. And the subject was referred to a Special Committee, with instructions to confer with Mr. McGreevy, in relation to such changes as it might be necessary or expedient to make in the Contract, in order to adapt it to the conditions of the new act.

The committee reported to the Board on the 17th of February, recommending certain modifications in the existing Contract which had been assented to by the Contractor. The Board adopted the report of the committee at once ; and authorized the President to recognize Mr. McGreevy as the Contractor ; and also to make a Supplemental Contract with him, in accordance with the report of the Committee, which Contract was duly executed on the 21st of February 1874.

By the terms of the Supplemental Contract, the consideration for constructing and equipping the Railway, including several important items of expenditure which were

not embraced in the original Contract, is kept at \$7,000,000, payable as follows:—

Quebec City Debentures	\$1,000,000
Government “	\$1,248,634
Railway 1st preference Bonds.....	\$4,751,366
Total.....	\$7,000,000

Immediately after signing the Contract, the Contractor made arrangements for a vigorous prosecution of the work at the opening of the coming season; and then left for Europe for the purpose of perfecting his financial arrangements. He returned from Europe early in the following May, and on the 11th of June he addressed a communication to the President and Directors of the Railway Company, informing them that he had made complete financial arrangements to complete his Contract, upon the condition that the sum of \$750,000 should be expended upon the Road before any advances were called for from the English bankers; and therefore requesting the Railway Company, to apply to the Government, and the City of Quebec for the payment of the cash values of the monthly Estimates, in the ratio of one third by each, during the earlier stages of the work, or until the advances thus made by each party should amount to \$500,000.

The application was immediately made by the Railway Company; and the Government acceded to the request by an order in council dated June 27, 1874. The City Council of Quebec also acceded to the request, by resolution dated July 21, 1874.

The Contractor had, in the mean time, commenced the work along nearly the entire portion of the line between

Quebec and Three Rivers; and, after the action of the Government, and the City, above referred to, there seemed to be no further impediment in the way of the rapid prosecution of the work, and the early completion of the North Shore Railway.

It should also be mentioned, in this place, that the Contractor, in the communication above referred to, made the further request, that the debentures of the Government and City be deposited in some banking house, in order that they might be paid over to him promptly, upon his Monthly Estimates, when duly certified and approved, which request, however, was not granted either by the Government or the City.

If the entire, and very reasonable application of the Contractor had been granted; and if all the conditions had been promptly complied with on the part of the Government and the City, the result, as affecting the progress and present condition of the work, must necessarily and always remain a matter of conjecture.

The following statement of the dates, and the amount of cash values, due upon the respective Monthly Estimates for the main line, up to September 1st, 1875, will show the amounts to which the Contractor was justly entitled, at these dates, from the Provincial Government, and the City of Quebec respectively:

STATEMENT OF MONTHLY ESTIMATES.

UP TO WHAT DATE.	TOTAL AMOUNTS DUE IN CASH VALUES.	AMOUNTS DUE FROM THE GOVERNMENT.	AMOUNTS DUE FROM THE C Y
Nov. 1, 1873.....	\$133,267 03	\$44,422 34	\$44,422 34
Jan 1, 1874.	22,475 54	7,491 85	7,491 85
Totals to date.....	155,742 57	51,914 19	51,914 19
Oct. 1, 1874.....	198,367 57	66,122 52	66,122 52
Nov. 1, 1874.....	64,930 34	21,643 45	21,643 45
Dec. 1, 1874.....	31,982 00	10,660 67	10,660 67
Totals to date.....	451,022 48	150,340 83	150,340 83
Jan. 1, 1875.....	12,337 68	4,112 56	4,112 56
March 1, 1875....	54,242 63	18,080 88	18,080 88
April 1, 1875.....	25,756 11	8,585 37	8,585 37
May 1, 1875.....	11,569 83	3,856 61	3,856 61
Totals to date.....	554,928 73	184,976 24	184,976 24
July 1, 1875.....	251,168 31	83,722 77	83,722 77
Aug. 1, 1875.....	44,291 65	14,763 88	14,763 88
Sept. 1, 1875.....	13,653 44	4,551 15	4,551 15
Totals to date.....	864,042 13	288,014 04	288,014 04

The above "total amount due in cash values," does not include retained percentages, nor the sum of \$11,730.40, as per estimate of cash values, upon the Piles Branch, up to Nov. 1st 1873.

The foregoing estimates, up to May 1st, 1875, amounting to \$554,928.73, were prepared under my own personal supervision, and certified by me as correct, while acting as Chief Engineer of the Road; such items, and quantities as could be determined by actual measurement, were computed at schedule rates, which had been approved by the Board of Directors, and also by the Provincial and City Governments, through their respective Engineers. All other items of expenditure, which came within the provisions of the Contract, were based upon properly authenticated vouchers.

The estimates were also unanimously approved by the Board of Directors, which is composed of six members representing the Provincial Government, and four members representing the City Government, thus jointly constituting a majority of two in the full Board, of eighteen members.

The Estimates from May 1st to Sept. 1st 1875, amounting to \$309,113.40, were prepared and certified by the present Acting Chief Engineer, and they have also been approved by the same Board of Directors, by whom he was also appointed

The only error in these later estimates, to which I have felt it my duty to repeatedly call the attention of the Board, through the Secretary, is one of arithmetical simple addition, amounting to \$1,285.53 in cash values, and \$1,928.30 in relative contract values, in favor of the Railway

Company, upon any settlement that has been or may hereafter be based upon these Estimates.

The following statement will show the date of each payment, to the Railway Company, by the Provincial Government, and the city of Quebec ; together with the amount paid by each at the respective dates.

STATEMENT OF PAYMENTS MADE BY THE GOVERNMENT,
AND THE CITY OF QUEBEC.

DATE OF PAYMENT.	PAID BY GOVERN- MENT.	PAID BY CITY.	AGGREGATE PAY- MENTS.
Aug. 15, 1874.....	\$80,600 00		\$80,600 00
Dec. 12, "		112,000 00	192,000 00
March 24, 1875..	30,000 00		222,000 00
April 12, " ..	14,034 00		236,034 00
April 21, " ..	20,687 00		256,721 00
April 29, " ..		31,000 00	287,721 00
Totals to date.....	144,721 00	143,000 00	287,721 00
June 5, 1875.....	6,585 19		294,306 19
June 8, "	40,000 00		334,306 19
July, 22, "	30,173 96		364,480 15
Totals to date.....	221,480 15	143,000 00	364,480 15

A careful examination of the foregoing tabular statements of Monthly Estimates, earned by the Contractor ; and of payments made to the Railway Company, on ac-

count of these Estimates by the Provincial Government and the City of Quebec, will show, quite clearly just how the financial account stood, at different important periods, between the respective parties to the quadrilateral compact, consisting of the Provincial Government; the City Council of Quebec; the Railway Company; and the Contractor, each of which parties was bound in honor and good faith, not only to the others, but to the public, to do everything in its power to facilitate the construction of the North Shore Railway under the Original and Supplemental Contracts.

It appears from these statements, that upon the assumption of the Contract, by the present Contractor on January 12, 1874, he must have assumed a past expenditure of at least \$169,970.30, without taking into account any bonus he may have paid to the original Contractors.

It also appears that, on the 15th August 1874, or about six months after the "Quebec Railway Aid Act of 1874," became a law; and about one half of the following working season had become exhausted, the Provincial Government, after having solemnly pledged itself to pay one third of the cash values of the Monthly Estimates, paid only the sum of \$80,000 upon a total probable expenditure by the Contractor of at least \$325,000. (No estimate having been made at that time, it is impossible to give the exact figures.)

It also appears that, on the 12th December 1874, being just eleven months after the present Contractor had undertaken the work; and after he had devoted one entire working season to its construction; and had earned, in cash values, based upon Monthly Estimates, the sum of \$451,022.18, the City Council of Quebec, after having

solemnly pledged itself to pay one third of the cash values of the Monthly Estimates, paid only the sum of \$112,000; which with the sum previously received from the Government, amounted to an aggregate payment of \$192,000, upon Estimates, two thirds of which would have been \$300,681.66, thus leaving a deficiency of \$108,681.66 up to December 12, 1874. Nothing further was paid, either by the Government or the City, until the spring of 1875.

It also appears that, on the 1st May 1875, the amount of cash values, based upon the Monthly Estimates, was \$554,928.73, one third of which being payable by the Government, and one third by the City, or \$184,976.24 by each, making an aggregate of \$369,952.48.

Whereas, at that date, and even up to the 5th of June following, the Government had paid only \$144,721, thus leaving a deficiency of \$40,255.24. And the city, at that date, and even up to the present time, has paid only \$143,000, thus leaving a deficiency of \$41,976.24. Which shows an aggregate deficiency on the part of the Government and the City up to May 1, 1875, of \$82,231.48.

It also appears that, on the 1st Sept. 1875, being just twenty-four days previous to the signing of the present provisional contract by the Government, the amount of cash values, based upon the Monthly Estimates, was \$864,042.13, one third of which being payable by the Government, and one third by the city or \$288,014.04 by each; making an aggregate of \$576,028.08. Whereas at that date, and even up to the present time the Government has paid only \$221,480.15, thus leaving a deficiency of \$66,533.89. And the City has paid up to the present time only \$143,000, thus leaving a deficiency of \$145,014.04,

which shows an aggregate deficiency on the part of the Government and the City, up to September 1, 1875, of \$211,547.93.

The foregoing figures also show, that the present Contractor had expended in the work, up to Sept. 1, 1875, the sum of \$499,561 98, or in round numbers say a half million dollars, over and above the amounts received from the Provincial Government and the City of Quebec; not including retained per-centages, or any bonus which he may have paid to the Original Contractors, nor any amount which he may have paid for plant, and other contingent and necessary expenses, which, under the provisions of the Contract, cannot be included in the Monthly Estimates.

It has already been stated, that, if the Government and the City had carried out fully the requests made by the Contractor, "the result as affecting the progress and present condition of the work, must necessarily and always remain a matter of conjecture."

The foregoing statements and figures show, most conclusively, that the responsibility for the present state of affairs, rests entirely with the Government and the City, neither of which has, either in letter or spirit, carried out even that portion of the request which they solemnly guaranteed to do.

If this had been done promptly and in good faith, at least one important result would have followed, about which *there can be no conjecture*, to wit: the Contractor having expended a *half million dollars* of his own means in the work, up to Sept. 1, 1875, would have expended during the progress of the work, a similar amount, or a half million dollars each, from the Government and the City.

And thus the total expenditure, up to Sept. 1, 1875, would unquestionably have been represented by \$1,500,000 instead of by \$364,042.13, (or a little more than one half of that amount) as is now shown by the Monthly Estimates.

To deal a moment in *conjecture*, however, it would not be at all unreasonable to assume, that if the Government and the City had promptly paid their just proportion of the Monthly Estimates ; and thus strengthened the hands, and preserved the credit of the Contractor, he would have experienced no difficulty in making his own expenditures equal to \$750,000, which, with double the amount from the Government and the City, would have made the expenditures on the road up to Sept. 1, 1875, \$2,250,000, or at least one half of its estimated cash value. Which expenditure would not only have secured the completion of the first half of the Main Line, extending from Quebec to Three Rivers, during the present working season ; but it would also have secured the expenditure of a sufficient amount upon the balance of the line, to ensure its completion during the early part of the next season.

Neither is it considered at all unreasonable to assume, that, upon the attainment of the above result, the honor, credit, and resources of both the Government and the City, would have remained unimpaired ; and also that the early completion of the North Shore Railway, *by the Railway Company, and under the original and Supplemental Contracts*, would have been reduced to a *moral certainty*.

The facts above stated also show, in a most striking manner, the extraordinary wisdom and foresight of the request contained in the application of the Contractor, to have the securities of the Government and the City placed,

in advance, in some satisfactory banking institution, to be held subject to his order, upon properly authenticated Monthly Estimates.

If this very reasonable and proper request had been granted, there can be no doubt, from the above showing, that a very different state of things would have existed in the condition of the work at the present time. And I trust therefore that this important point has been duly provided, for in the existing Provisional Contract.

If it is not thus provided for, or covered in some other manner that will effectually protect the Contractor from such contingencies as he has met with almost constantly since he undertook the work, I do not see any reason to hope for a more early completion of the road under this *Provisional Contract*, than would have been realized under the Original and Supplemental Contracts.

Every intelligent person must be aware, and the experience upon this road has already shown most conclusively, that a Contractor cannot proceed with his work, either economically or successfully, even when labor and materials are at their *minimum* value, unless he can rely with the utmost certainty upon the prompt payment of his Monthly Estimates, as they become due under the provisions of his Contract.

To return a moment, however, and in conclusion, to the mere recent history of the relations which have existed, and which still exist between the parties to the compact above referred to, it will be sufficient to mention that, on July 26th 1875, the Provincial Government addressed a letter to the President of the Railway Company, from which the following is an extract : " To avoid any misap-

prehension as to the intentions of the Government respecting the amount of money to be paid the North Shore Railway Company from time to time, I am directed to inform you that, in deciding as to such amount, the Lieutenant Governor in Council will be guided solely by the provisions of sections 16 and 21, cap. 2 of 37 Victoria. "

This is a notice from one party of the compact, to another, that it will no longer feel bound to pay one third of the cash values of the Monthly Estimates, as per order in council dated June 27th 1874.

On July 31, 1875, the Executive Committee of the North Shore Railway Company, Sir N. F. Belleau, Chairman, having had the above communication from the Government under consideration, reported a resolution to the Board of Directors which, after a most able and exhaustive review of the whole subject, closes with the following extract :

" Under these circumstances, the North Shore Railway Company desire to formally make known to the Government of this Province, that they do not give their sanction, or their consent to their decision, as indicated in and by their letter of 26th July, 1875. But on the contrary, that they refuse to sanction or accept in any manner, any deviation and modification to the agreement, or order of the Executive Council of 27th June, 1874, interpreted, accepted, and agreed upon in good faith between them and the Government of this Province."

" Nevertheless the Company is desirous of knowing and discussing all new propositions or plans which the Government might propose to them, if they judge it proper in the interest of the Company."

The above report was transmitted to the Government, but was afterwards returned as being disrespectful and unsatisfactory. At the same time an intimation was given as to the form of a resolution that would be satisfactory to the Government.

On August 11th 1875, the Board of Directors, having no other apparent alternative left to them, and not wishing to stand in the way of the Government, accordingly passed another Resolution, of which the following is a copy :

Resolved—"That the present position of the money market in Canada, and the strong, though unfounded, opposition manifested in certain quarters in England, to the investment of money in Canadian Railway Securities, preventing the sale of the bonds of this Railway Company, require that the Government of the Province of Quebec should be informed of the position in which the Company find themselves situated. The Company declare they are unable to construct the road under existing arrangements and they desire to urge upon the Government the imperative necessity, under the circumstances, of prompt Government action. The Company are therefore ready to allow the Government to deal with the question in any way they may, in the public interests, think proper, making such arrangements with the Contractor as may be found necessary."

On August 20th 1875, the Council of the City of Quebec passed *unanimously* a Resolution, of which the following is a copy :

"That this Corporation by its subscription of a million dollars to the capital stock of the North Shore Railway Company, has given indisputable evidence of the deep

interest it has taken in the construction of the North Shore Railway.

"That in view of the said company having declared its inability to continue the construction of said Road under existing arrangements, no further payments be made to it by this Corporation, but in lieu thereof, the Provincial Government be respectfully informed that should they take steps to insure the early completion of said road, this Council will pay to them the balance unpaid of its subscription to the Stock of said company as provided by law; on the express condition however that in no case shall this Corporation be called on for the payment of interest on the stock issued and to be issued in virtue of its said subscription, before the road will have been constructed throughout the whole distance between the cities of Quebec and Montreal."

It will be remembered that at the date of the passage of the above resolution, the City was in arrears to the Company about \$145,000.

Having thus succeeded in reducing to submission two very important parties to the Original Compact, the Government was fully prepared to encounter the third, which was the Contractor. This was found to be a comparatively easy task, after the other three parties had entirely deserted him; and he therefore had no other recourse, than to surrender unconditionally.

A Provisional Contract subject to the approval of Parliament, was therefore entered into, upon a *cash basis* between the Government and the Contractor, on September 24th, 1875; and His Excellency the Lieutenant Governor was thus enabled, in his speech to Parliament from the

throne, on the 5th instant, to make the following allusion to the subject :

“ The difficulties experienced by the North Shore, and the Montreal, Ottawa and Western Railway Companies in negotiating their bonds, having forced these Companies to give up the several works undertaken by them, I felt that my Government ought to take steps to complete these Enterprises, upon which the material progress of our Province very much depends, and upon which a large amount of money has already been expended. Accordingly, a measure having that end in view will be submitted to you, and I hope it will meet your approbation. ”

It will be remembered, however, that, when His Excellency delivered the above speech ; and also when his Government entered into the Provisional Contract, this same Government was in arrears to the Railway Company in the amount of \$66,533 89, under the former compact, which it had repudiated ; and upon Monthly Estimates of cash values, which had been approved by a Board of Directors, consisting of eighteen members, ten of whom were representatives of the Government, and the City of Quebec. And also, that it had utterly refused, and still refuses to advance to the Railway Company a sufficient amount to enable it to pay the salaries of its Officers, and Engineering Staff, which are now more than five months in arrears ; thus causing a great, and entirely unnecessary amount of inconvenience and suffering.

A meeting of the Shareholders of the North Shore Railway has been called for the 22nd Nov. inst., at noon, to take into consideration the Resolution adopted by the Board of Directors on August 11, 1875.

Having thus, upon my own responsibility, and as brielly as possible, brought the history of the North Shore Railway, and its varied fortunes, or rather misfortunes, down substantially to the present writing, I shall avail myself of the first opportunity, after the Railway Policy of the present Government ; and the Provisional Contracts which it has already entered into, in advance of the sanction of Parliament, have been made public, to place on record such further views upon these subjects, as I may then think consistent with my official position ; and also with my personal and professional reputation.

After having discharged this duty to the best of my ability, and in accordance with the dictates of my own judgment, I shall await the result with a pleasing consciousness of having at all times, but more particularly during the last hours of its existence, performed my whole duty to the Railway Company, which has always honored me with is confidence ; and also, to the Province, and the City of Quebec, of both which I have been during many years past, and expect to remain for many years to come, an humble and a loyal citizen.

If the self sacrificing course, which the peculiar circumstances of the case, as above narrated, have impelled the Railway Company and the Contractor to pursue ; and if the Railway policy which the Provincial Government has already entered upon, and which, with the sanction of Parliament, it intends to follow, shall appear under all the circumstances and surroundings, to be the best and only policy that will secure the speedy Construction of the North Shore Railway, and its connecting line to Ottawa ; together with other important lines in the Province,

this policy will meet with no more hearty support; and its results will be hailed with no greater pleasure, by any one of the many persons who may claim to have been in some degree instrumental in bringing them about, than they will by myself.

SILAS SEYMOUR.

Quebec, November 12, 1875.

